

RTO WEST
Filing Utilities Conference Call
September 22, 2000
Notes

IMPORTANT NOTICE TO READERS: These meeting notes were prepared by Kristi Wallis. The filing utilities agreed to Kristi's attendance as a neutral note taker at filing utility meetings to enable interested parties to be aware of the general scope and progress of filing utility discussions. These notes were never intended to represent a verbatim report of the filing utilities' discussions, but rather to provide a summary. Although meeting participants were given an opportunity to review notes in draft form, workloads of all concerned (particularly as the deadline for filing with the Federal Energy Regulatory Commission approached) were such that notes often could not be circulated quickly after meetings or reviewed thoroughly. In some cases there was a period of several months between the date a meeting was held and the time the meetings notes were available for review. In addition, a number of meeting participants may not have reviewed these notes at all. There may, therefore, be some inaccuracies in these notes.

Attendees:

Don Furman, PacifiCorp	Cindy Crane, PacifiCorp
Mark Maher, Bonneville	Peggy Olds, Bonneville
Preston Michie, Bonneville	Frank Afranji, PGE
Doug Nichols, PGE	Richard Goddard, PGE
Jim Collingwood, Idaho Power	Malcolm McLellan, Idaho Power
Randy Cloward, Avista	Rick Vermeers, Avista
Chuck Durick, Idaho Power	Margie Thomas, Montana Power
Bill Pascoe, Montana Power	Carolyn Cowan, Sierra Pacific
Marcus Wood, PacifiCorp	Kimberly Harris, Puget Sound Energy
Blair Strong, Avista	Bud Krogh, Krogh & Leonard
John Boucher, KEMA	Sarah Dennison-Leonard, Krogh & Leonard
Dave Hackett, KEMA	Kristi Wallis, Neutral Notetaker

Agenda

Dinner Meeting with Mike Coleman

10/16 Filing

Elements

Administrative Details

DC Trip

Process to Resolve Remaining Open Issues/Identify Which Issues have to be Resolved for 10/16 Filing

Future Activities (if any) of RRG

Head's up regarding Legislation to Fund Federal Pensions (Will be discussed in detail later (either at subsequent Filing Utilities meeting or in individual discussions), but Bonneville wanted the parties to know this is happening)
Canadian Involvement in RTO West

Agenda Item No. 1 – Dinner Meeting with Mike Coleman

The following individuals attended the dinner meeting: Don Furman, Cindy Crane, Mark Maher, Peggy Olds, Preston Michie, Doug Nichols, Frank Afranji, John Boucher, Dave Hackett, Sarah Dennison-Leonard, Bud Krogh, Mike Coleman, and Jamie Simlar.

Sarah Dennison-Leonard reported on the dinner conversation. The following topics were discussed: Pricing, Congestion Management, Planning, Governance, TOA and Facilities.

Facilities

Mike Coleman started with the proposition that those facilities that are needed for the reliable and efficient operation of the RTO should be transferred to the RTO. FERC is concerned about comparability and consistency, and Mike stated that similarly-situated facilities should not be treated differently for purposes of Facilities Inclusion. Mike indicated that a PTO's tariff should provide for local dispute resolution regarding treatment of "B" and "C" facilities.

There was discussion regarding "A" facilities that had local distribution characteristics. Mike Coleman stated that if they were needed for the operation of the RTO, they needed to be under RTO control.

Mike Coleman realizes that not all facilities used for wholesale transactions will be turned over, and stated that there could be separate PTO tariffs. Dave Hackett noted that Mike suggested the Filing Utilities establish criteria that would be applicable to PTOs' "B" and "C" facilities to ensure consistency of access.

Sarah Dennison-Leonard commented that she thought that the Filing Utilities' decision regarding facilities comported with Mike's comments.

With regard to the Filing Utilities agreement, Randy Cloward stated that he disagreed with Puget, and does not believe that there should be any exception to the requirement that "A" facilities be turned over to the RTO.

Export Rate

Mike Coleman stated that he has gotten more comfortable with the proposed treatment of exports and that as long as there is not an incremental cost associated with exports it was probably OK not to have a volumetric charge. He also noted that he was aware that if the Filing Utilities attempted to change the treatment of exports that the rest of the pricing structure would come unraveled.

Mike Coleman is still evaluating the transfer charges to see whether he has any concerns. He is looking carefully at the imputed transfer payment issue to determine whether it is another potential source of cost shifts.

Congestion Management

There was quite a bit of discussion about Congestion Management, and Mike Coleman stated that his priority is to establish FTRs and get the transition up and running rather than maximizing liquidity and the market on Day One. Mike's bottom line is that the proposed initial allocation of FTRs is OK (especially as under Order No. 888 a transmission owner can reserve ATC to serve its load). Mike emphasized that FERC is sensitive to transmission owners' load-serving obligations.

Don Furman raised the issue about allocating FTRs to cover load growth, and Mike Coleman indicated that FERC would be OK with that so long as parties were required to demonstrate that the FTRs were really needed. Don reinforced the Filing Utilities' intention that such a showing would need to be made for all FTRs.

There was no discussion about whether RTO West would start with a contract path allocation.

Planning

Mike Coleman recommends a RTO backstop. Mike reads Order 2000 as requiring the RTO to have ultimate responsibility for planning/expansion, and that if a RTO cannot compel expansion, Order 2000 would be undercut. Even if the RTO can compel expansion, however, it is not a foregone conclusion that all expansion costs will be directly assignment (rather, those who benefit should pay). Mike directed the group to a couple of recent FERC decisions where FERC has ruled on this issue (NEPOOL and PJM).

Peggy Olds stated that planning/expansion was the one issue where Mike Coleman gave a really strong signal that the Filing Utilities should reconsider their decision. Mike stated that he was surprised to see how far the Filing Utilities had gone from the RRG's decisions, and he strongly encouraged the Filing Utilities to revisit the RRG decisions.

Randy Cloward asked whether Mike Coleman's comments on the backstop included congestion relief or was limited to load service/reliability (is a market-based mechanism OK for congestion relief?)

Peggy Olds responded that Mike Coleman appeared to be focusing on load service and reliability.

Governance

Mike Coleman has one issue with the governance proposal – the recent change that provides that voting power within the TDU class is allocated based upon size criteria. Mike has serious reservations about this provision, and thinks that it might compromise independence and might cause the Commission serious reservations about an otherwise good proposal. (Mike does not yet have an opinion on the issue of who has the power to amend the RTO's bylaws or to dissolve the RTO.)

Doug Nichols explained the rationale behind the change regarding the allocation of voting rights within the TDU class. As the ITC companies will be TDUs after the formation of the ITC, they believe that they need to have some type of voting power (hence the proposal based on size). Shelly Richardson has raised some concerns about this approach and Mike Coleman apparently agrees with Shelly. Shelly and Doug have talked about a compromise proposal (bicameral approach – half by numbers, half by size), and while agreement has not yet been reached, Doug thinks that the issue is resolvable.

Tariff/TOA

Mike Coleman stated that he is aware of Carl Imparato's concerns regarding the effect of placing items in the TOA on the RTO's independence. Sarah Dennison-Leonard reported that she had asked Mike to reserve judgment on this issue as she doesn't think the TOA will get into transmission service, and she also emphasized that the RTO will not have a blank check.

Mike Coleman indicated that FERC will pay careful attention to this issue, and Bud Krogh noted Don Furman's comment that if there is something in the TOA that FERC thinks should be in the tariff, FERC will tell the Filing Utilities.

It was noted that Bonneville's ability to participate depends upon certain things being in the TOA so that those provisions cannot be changed by the RTO.

DC Briefing

Mike Coleman would like the Filing Utilities to highlight the main points of their proposal and be prepared to respond to questions.

Treatment of TOA in 10/16 Filing

Mike Coleman stated that he was aware that the Filing Utilities have differing views about how to approach the TOA in the filing, but that it was in the Filing Utilities' interest to stay together and take a common position.

Agenda Item 2 – 10/16 Filing

Bud Krogh reviewed the previous 10/16 Group discussions and noted that the 10/16 filing would present some material for approval and some for informational purposes.

Previously, the 10/16 Group had been informed that the TOA would be included in the filing as an approval item.

There was a significant amount of discussion about whether the TOA would be submitted for approval or for informational purposes. Mark Maher stated that it was Bonneville's assumption that a final TOA would be part of the 10/16 filing. Don Furman stated that PacifiCorp needed certain key elements of the deal to be submitted for approval at the time of the first filing. While all parties agreed to the importance of capturing what has been agreed to so far, not all of the parties believe that it will be possible to agree to a final form of a TOA by the filing date. The parties explored whether it would be possible to file something (for example, a MOA) that described the deal, indicated that the parties would translate the deal to contract language (in a specified period of time), and submit the necessary contracts (including the TOA) for FERC approval at the specified time. Under this scenario, the current form of the TOA could be submitted as a draft.

Peggy Olds stated that the TOA should remain the primary document, and both Malcolm McLellan and Marcus Wood expressed concerns that the MOA would just be a rewrite of the TOA and could result in unnecessary work and confusion. After further discussion, the parties agreed that the "deal" should be described in the filing letter, not a MOA.

There was further discussion about whether the TOA would be submitted for approval. Preston Michie noted that it was possible that some of the Filing Utilities could seek approval of the TOA and the other Filing Utilities could make comments on the TOA during the 30-day comment period. Bill Pascoe noted that Montana Power did not want to go from being a participant in the filing to a commenter. Frank Afranji suggested that the Filing Utilities ask for a thirty-day extension. Mark Maher indicated that it was critical to Bonneville that the filing be made prior to the election, as right now there is a strong alliance in support of a RTO, but if there is any delay the Filing Utilities might lose momentum. Don Furman suggested that some of the Filing Utilities submit the TOA for approval, and that the filing state that the other Filing Utilities are comfortable with the "deal", but need 30 days to finalize the TOA. All of the Filing Utilities would jointly submit a final TOA after 30 days. The Filing Utilities agreed in principle to this approach and Bud Krogh will write it up.

Agenda Item 3 – Open Issues

John Boucher asked the Filing Utilities to identify those issues that needed to be resolved prior to the filing, and gave them the following candidate list:

Congestion Management

Load Growth

Pricing

Imputed

Short-term Wheeling
Painting the Load/Retail Access
Exports

Planning

RTO Backstop
Who Pays for Expansion

Governance

Bud Krogh asked whether there were any additions. Bill Pascoe indicated that Montana had an issue with the lack of penalties for energy imbalances, but stated that that could be dealt with in the tariff. Marcus Wood indicated that in the pricing area, the Filing Utilities were going to need to determine the disposition of unencumbered FTR revenues.

The Filing Utilities agreed to meet on October 4th at KEMA's offices to resolve these open issues.

Doug Nichols will have a write-up out early next week regarding governance issues.

Bill Pascoe asked that some of the technical representatives frame the "who pays for expansion" issue (Chuck Durick, Marv Landauer, Ray Brush, Ken Morris, Larry Luna, and Chris Reese were identified).

It was decided that FTRs from the (then) existing TTC would be allocated for load growth.

Agenda Item 4 – RRG Future Activities

Bill Pascoe suggested, given that the pricing structure is so complicated, that the Filing Utilities have a half-day tutorial. While others were supportive of the idea, they wanted to make sure that there wasn't a miscommunication of the purpose of the seminar, specifically, that it was for educational purposes and not for negotiations. It was agreed that the tutorial would be held a few days after the filing, and October 18th was identified as a possible date.

Agenda Item 5 – Canadian Involvement with RTO West

Mike Coleman had indicated that the Filing Utilities should address Canadian participation during the FERC meeting. Some of the Filing Utilities have spoken with BC Hydro/Powerex representatives since the 9/20 RRG meeting and it appears that BC Hydro is still with the Filing Utilities and moving ahead. Mark Maher will be responsible for briefing FERC on Canadian participation.

Filing Logistics

There was a short discussion regarding the logistics of preparing the filing materials (the Filing Utilities will work at Stoel Rives' offices).